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The Manufacturers Hanover
Financial Digest
Weekly Commentary, Selected Financial Data, and Business Indicators

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The U.S. Demographic Picture . . .

When anticipating longer-term business prospects in general and consumer tastes in particular, one important factor to consider is the changing demographic composition of the U.S. population. And, although future economic and political forces have not yet been determined, the structure of the American population in the latter part of the 1980s and 1990s has, to a large extent, already been formed. The youth market will cease to expand at its once unprecedented pace, and the aging of America will pick up speed considerably in the next decade and a half. While the median age of Americans was 30 in 1980, by the year 2000, half the population is expected to be over 36.

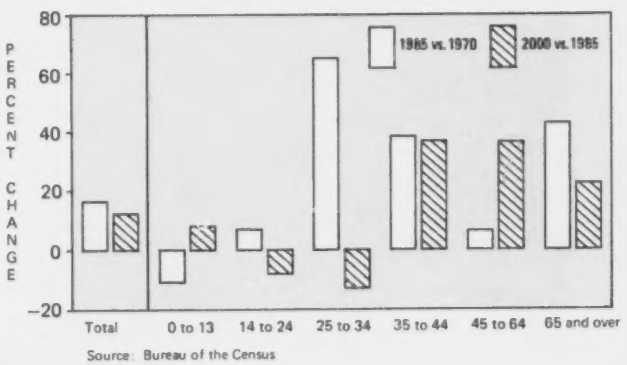
The country's most dominant and influential age group has been the postwar "baby boom" generation. Swelling elementary school enrollments in the 1950s, college classes in the 1960s and the job markets in the 1970s, they are now concentrated in the 25-34 year old bracket. This group's ranks have grown by nearly two thirds since 1970 to 40.2 million in 1983 (see chart), representing 17.2 percent of the population. What is more, the recently revived popularity of marriage and starting families, coupled with the large number of women of childbearing age have resulted in what demographers have called the "baby boom echo."

But this is by no means another baby boom. The number of children born to women of childbearing age—at 1.84—is only about one half that of the late 1950s, when it peaked at 3.71 and is still well below the rates of the 1960s. Mostly because of the sharply increased numbers of potential parents, the number of babies born each year between 1975 and 1982 has risen by an average of about 2.5 percent.

. . . Is Rapidly Changing . . .

But in 1983, for the first time in eight years, the number of babies born declined—and this may be the start of a new trend. Reflecting primarily the aging of the population and the decline in the number of women in their prime childbearing years, the number of babies born dropped by 2.5 percent from 1982's 3.7 million. To be sure, the number of women of childbearing age (15-44) continued to rise, but most importantly, the number of women 15-24 years old—who typically account for nearly half of all births—declined by 1.5 percent. The fertility rates of women in their early thirties have been rising, and their numbers are expected to grow by 1.4 million by 1990—resulting in a higher number of babies born to this group. But this may be offset by the 1.6 million women drop in the 20-29 cohort who typically have fertility rates double those of the 30-34 group.

PERCENT CHANGE IN POPULATION BY AGE BRACKETS



Source: Bureau of the Census

As the baby boomers mature, the rate of growth of the 25-34 year old group will slow to less than one percent per year in the second half of this decade. It had been growing at a torrid 3.3 percent annual growth over the last ten years. Their ranks are expected to actually contract by more than 16 percent in the next decade. But, in turn, between now and the year 2000, the number of 35-44 year olds will expand by 50 percent and the size of the 45-54 year old cohort will advance by two thirds—with most of this jump taking place in the next decade. So the average American is getting older, more productive and more affluent, as an increasingly larger number of Americans are moving into their peak earning years.

. . . Providing New Markets . . .

To reach these markets, businessmen are starting to turn away from their long emphasis on youth. The cosmetics companies are introducing new products

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for the mature skin and hair. Apparel makers are showing goods for those older men who may need some extra room in their clothes. And fast food restaurants, while not abandoning the youth market, have recently implemented advertising campaigns to attract older customers. What is more, several magazines have emerged specifically designed for the over-50 set.

But while we are fast on the road to becoming a middle-aged nation, we will not be a nation of elders until well into the next century. Nevertheless, even today our nation's elderly represent an important segment of the population. Growing more than twice as fast as the population as a whole in the past 25 years, this group will add another 4.4 million people to its ranks by the end of this decade, and a further 3.2 million by the year 2000. At that time, it is expected to represent 13 percent of the population.

. . . For Many Industries

Unfortunately, this seems to be the most misunderstood segment of the population. Although there are numerous complaints about retirees' inability to live on fixed incomes, the latest study by the U.S. Bureau of the Census shows that in general they are not as badly off as many people may think. An examination of annual per capita income of the 17 million households in the 65-plus category reveals some startling facts. While household incomes of those over 65 were only slightly more than half of the U.S. average, their per capita after-tax income

Selected Federal Reserve Data

(Averages of Daily Figures—Billions of Dollars)

	Week Ending	$ Change Since Week Ago	$ Change Since Year Ago
Reserve Bank Credit	4/25/84		
U.S. Gov'ts and Agencies Owned Outright & RPs	165.533	+ 4.552	+18.390
Loans to Depository Inst.	1.713	+ .962	+ .542
Float	.764	+ .146	− .960
Total Reserve Bank Credit	177.608	+ 6.095	+18.008
Treasury Deposits with Federal Reserve Banks	8.607	+ 4.643	+ 4.442
Currency in Circulation	170.720	− .107	+14.150
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	114.193	+ .142	+ 2.604
	4/25/84		
Member Bank Reserves:			
Total Reserves Held	36.807	+ .713	+ 1.809
Excess (Deficiency)	.468	+ .136	+ .009
Net Borrowed Reserves	1.046	+ .023	+ .908
		% Change Since Three Months Ago*	% Change Since Year Ago
Monetary Aggregates †			
M1 (4/16/84)	535.9	+ 6.3	+ 7.7
M2 (March '84)	2,228.6	+ 5.9	+ 7.8
M3 (March '84)	2,764.0	+ 8.5	+ 9.1
Domestic Nonfinancial Debt (4th Q'83)	5,219.0	+ 10.6	+ 10.8

†Seasonally adjusted. * Seasonally adjusted annual rate.

New York Money Market

Offering Rates 4/27/84	3 Months	6 Months	1 Year
‡U.S. Treasury Bills	9.50%	9.75%	10.00%
* Federal Agencies	9.95	10.65	10.95
* Project Notes—Taxfree (46% Taxable Equivalent)	10.56	10.83	11.85
Negotiable Time CDs Manufacturers Hanover	Rates By Arrangement		
* Secondary Market—Prime	10.47	10.82	11.25

‡Finance Company Paper—Prime

5- 14 days	9.90%
15- 29 days	10.10
30- 59 days	10.20
60- 89 days	10.20
90-179 days	10.10
180-239 days	10.00
240-270 days	10.00

‡* Bankers' Acceptances

May	10.15%
Jun.	10.18
Jul.	10.22
Aug.	10.27
Sep.	10.35
Oct.	10.28

‡Industrial Paper—Prime

30- 89 days	10.15%
90-120 days	10.20

†Federal Funds Effective Rate 10.50%

‡Discount basis. * Subject to availability. † Estimated.

Selected Business Indicators

(All Dollar Figures in Billions)

	Latest Period or End of Period		Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	1st Q'84	$ 3,541	$ 3,436	$ 3,172
Gross National Product (1972 Dollars)*	1st Q'84	$ 1,604	$ 1,573	$ 1,490
Percent Change, Annual Rate	1st Q'84	8.3	5.0	2.6
Change in Consumer Prices (new series)*	Mar '84n	2.4%	4.8%	1.2%
Change in Producer Prices*	Mar '84	6.0%	4.8%	− 1.2%
Civilian Employment (Thousands of Persons)†	Mar '84	104,140	103,892	99,316
Unemployment as % of Civilian Labor Force†	Mar '84	7.8%	7.8%	10.3%
Personal Income*	Mar '84	$ 2,941	$ 2,927	$ 2,670
Leading Indicators Composite Index (1967=100)†	Feb '84	165.9	164.8	147.4
Industrial Production Index (1967=100) †	Mar '84	160.7	160.0	140.0
Net Change in Consumer Installment Credit †	Feb '84n	$ 6.61	$ 4.47r	$ 0.74
U.S. Merchandise Trade Balance †	Mar '84n	−$ 10.26	−$ 10.09	−$ 3.70
Plant and Equipment Expenditures*	2nd Q'84	$335.40(a)	$332.66(a)	$293.46
Private Housing Starts (Thousands of Units)*	Mar '84	1,638	2,231	1,592
New Construction Expenditures*	Feb '84	$ 295.0	$ 276.0	$ 243.0
Total Business Inventories †	Feb '84	$ 527.0	$ 517.8	$ 507.7
Total Business Sales †	Feb '84	$ 399.5	$ 400.9	$ 341.5

*Seasonally adjusted annual rate. †Seasonally adjusted. n-Newly reported figure. r-Revised. a-Anticipated.

was nearly $300 greater than for the population as a whole. It exceeded that of all other age groups except those in their prime middle years—the 50-64 year olds.

Even more important for business is the fact that the elderly have the highest per capita discretionary income—55 percent above the national average. Their total discretionary income of $33.6 billion in 1980 was equal to that of the 25-34 year olds, which included nearly 30 percent more households. The primary reason for this is their lower cost of such necessities as housing. In 1980, more than 45 percent of households headed by a person over 65 owned a home with the mortgage completely paid off. In contrast, for those families where the head of household was between 50 and 59 years old, only 25 percent owned their homes mortgage-free. Those elderly who are still financing their homes probably have much lower monthly payments than their younger neighbors who bought homes recently.

The leisure-time industries have already noticed the potential of this market. Realizing that the elderly have the money, time and desire to travel, vacations are not promoted exclusively by bikinis anymore, as the older set seems to be prime customers for cruises and travel. Builders in Florida, California, Arizona, Texas and New Jersey have benefited from the influx of retirees into these states. They have built retirement communities for those who are socially active and sports-oriented. H

Short Term Paper Outstanding

(Millions of Dollars)

	Latest Week	Change Since Week Ago	Change Since Year Ago
Time Deposits of $100,000 or more Weekly Reporting Banks			
Nationwide (4/11/84)	141,736	– 681	–13,139
New York City (4/18/84)	28,588	– 17	– 7,389
Commercial Paper (4/18/84)	205,426	+ 4,074	+37,644

Bank Loans

(Millions of Dollars)

Commercial and Industrial Loans

Weekly Reporting Large Commercial Banks	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (4/11/84)	232,788	– 186	NA*
New York City (4/18/84)	61,979	+ 799	NA*

Total Loans and Leases Gross Adjusted

	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (4/11/84)	589,747	– 1,579	NA*
New York City (4/18/84)	134,648	+ 2,373	NA*

*Year ago data not available due to definitional changes.

Financial Markets

	Friday 4/27/84	Change Since Week Ago	Change Since Year Ago
U.S. Governments, Closing Yields:			
90-Day Bills†	9.95%	– .12	+ 1.65
180-Day Bills†	10.45	–0–	+ 1.97
Longest Bills†	11.00	+ .08	+ 2.37
Recent Issues:			
11 3/4s 4/30/86 (When Issued)	11.85	NA	
12s 3/31/88	12.25	+ .01	
11 3/4s 11/15/93	12.75	+ .05	
12s 8/15/13	12.80	+ .06	
Municipals:			
Bond Buyer–20 Bond Index* (4/26/84)	9.94%	+ .05	+ 1.12
Blue List Total ($ Million)	$1,585	+ $ 74	+ $ 121
30-Day Visible Supply ($ Million)	$2,523	+ $ 19	– $1,714
Total	$4,108	+ $ 93	– $1,593
Corporates:			
Moody's Aa Composite (4/26/84)	13.61%	+ .14	+ 1.63
30-Day Visible Supply ($ Million)	$1,705	+ $980	+ $ 930
Stocks:			
Dow-Jones Averages:			
Industrials	1,169.07	+ 10.99	– 57.13
Transportation	497.74	– 3.08	– 27.20
Utilities	125.39	– 1.30	– 3.02
65 Stocks	453.94	+ 1.17	– 20.01
Standard and Poor's 500 Stocks	159.89	+ 1.87	– 4.53
N.Y.S.E. Composite Index	91.94	+ 1.05	– 2.33
N.Y.S.E. Avg. Daily Vol. for Week (000's)	86,146	+ 2,803	– 15,092

* 46% Taxable equivalent 18.41%.

† Bond equivalent.

International Rates

	Friday 4/27/84	Week Ago
EURODOLLAR DEPOSIT RATES (bid)		
Overnight	10.38%	10.63%
1 month	10.56	10.75
3 month	10.88	11.06
6 month	11.19	11.38
1 year	11.69	11.81
EURODOLLAR BONDS		
Average Yield		
Medium Term (5 to 7 yrs.)	12.55%	12.50%
Long Term (7 to 15 yrs.)	12.80	12.75

FOREIGN EXCHANGE SPOT RATES

New York Opening (4/27/84)	U.S. $ Equivalent	Currency Per U.S. $
Belgium	.01851	54.02
Canada	.7811	1.2803
Denmark	.1007	9.9275
France	.1208	8.2800
Germany	.3707	2.6975
Italy	.0005970	1675.00
Japan	.004420	226.23
Mexico	.005587	179.00
Netherlands	.3289	3.0405
Switzerland	.4500	2.2223
U.K.	1.4032	.7127

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MHMC marketing capabilities allow us to tailor commitments to the specific needs of both institutional and capital investors, whether it is the sale of residential loans in the secondary market or passthroughs of our mortgage backed securities.

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